

# Kaiser leaseback eyed

## Transaction just 'an investment deal'

By Nina Berglund  
Tribune Staff Writer

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Kaiser Aluminum & Chemical Corp. has decided to sell and then lease back its two highrise office towers in Oakland's Kaiser Center as part of an apparent effort to raise cash, according to sources familiar with the negotiations.

The pending sale is part of a complicated agreement that would allow Kaiser Aluminum and other tenants to continue to occupy their offices in the Kaiser and Ordway buildings adjacent to Lake Merritt.

Kaiser Aluminum officials confirmed that a sale is "under discussion" with investor groups pulled together by the New York firm of Goldman, Sachs & Co. But Kaiser Aluminum officials declined to disclose their asking price for the property or the identities of the investors.

One source put the price at \$175 million, but other sources said a few months earlier Kaiser Aluminum had asked \$160 million and would consider offers of \$135 to \$140 million.

The two buildings would continue to be managed by Kaiser Center Inc., a wholly owned subsidiary of Kaiser Aluminum. The sale would not affect previously announced development plans for the remainder of the center's 15-acre site, said Kaiser Aluminum spokesman Gary Simpson.

"This is purely an investment deal that would let us realize the best advantages of the property," said Simpson. "It is a step that fits in with

our corporate strategy. It isn't a knee-jerk reaction to any financial problems."

In some ways the pending sale resembles a low-cost loan for the company that has been plagued by losses blamed on falling demand for aluminum and subsequent price erosion.

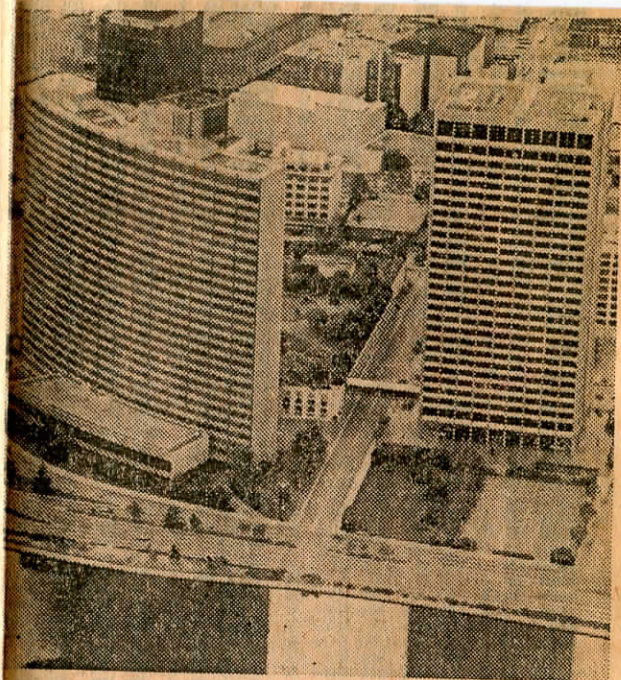
By relinquishing title to the property, Kaiser Aluminum would get the cash it needs, make payments at an undisclosed interest rate and be able to write off its leasing expenses as a tax deduction.

The unidentified group that would purchase the center — which likely will be made up of pension fund and overseas investors, according to a source — would receive guaranteed cash flows from the income generated by a 20-year lease Kaiser Aluminum would sign for the two buildings.

In addition, the investors could hold the property as an investment and also depreciate it through tax shelter strategies.

The Kaiser Center covers the area bounded by 20th, Webster and Harrison streets and Grand Avenue and includes the 1.2 million square feet of office space in the 28-story Kaiser and Ordway buildings and a three-story shopping mall.

But only the two office towers, the shopping mall and parking facilities are up for sale, thereby excluding the vacant land in the 15-acre site that is earmarked for construction of four new office towers of up to 40 stories each.



Tribune photo by Russ Reed

Kaiser Building, left, and Ordway Building are main elements of Kaiser Center

Kaiser Aluminum assumed full control of the Kaiser Center in January after it bought out the 13 percent interest held by Kaiser Cement Corp. and the 26.7 percent interest held by Kaiser Steel Corp.

Kaiser Cement has continued to lease space for its headquarters operations in the Kaiser Building and Kaiser Steel has moved its headquarters to Fontana. The three companies are no longer related.



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# CHANGES AT KAISER CENTER: Customers who

haven't visited the Airline Reservation Center at Oakland's Kaiser Center are in for a shock. Five airline reservation counters have closed. World Airways and Republic left a while ago and last weekend Western, PSA and TWA gave up. A PSA spokeswoman said there just wasn't enough foot traffic to justify staying in the new cost-conscious world of airline deregulation. TWA agreed. Western, meanwhile, has moved to the airline's center at Growers Square in Walnut Creek, where Western said there's a lot more drive-by traffic. Bob Burke, vice president and general manager of Kaiser Center, pointed out that most of the big guys are staying: United, Pan Am, Delta, American, Eastern and Northwest Orient. In January they'll move to a smaller location next to Goldman's. The center, meanwhile, is in the final stages of negotiation with a retail tenant for the old reservation center.

# Aggressive leasing filled Kaiser Center

By Laura Evenson  
The Tribune

The proposed 120,000 square foot lease deal between the University of California and the Kaiser Center at Lake Merritt (See story on Page A-1.) is just the latest in a series of aggressive leasing deals in the 28-story building.

Oakland real estate brokers said that the 27-year-old Kaiser Center has been successful because it has been as competitive as many of its newer high-rise rivals, such as the nearby Lake Merritt Plaza and the World Savings building.

John Guillory, vice president and district manager for Grubb & Ellis in Oakland, said that the Kaiser Center has been able to offer attractive deals because it is not a new development contending with today's high development costs.

"They can beat existing effective rates by 30 percent to 40 percent," he said. "If other buildings are offering a rate of \$2 per square foot a month, Kaiser can offer deals of \$1.50 to \$1.80 per square foot per month," he said.

A year ago, the 750,000-square-foot building resembled many of the see-through buildings in Silicon Valley because so many employees had left following the breakup or sale of many of the Kaiser subsidiaries.

But an aggressive leasing effort the past year has turned the leasing situation around.

About last November, Deloitte Haskins & Sells, the Big Eight ac-

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counting firm, expanded its Oakland office by taking 22,000 square feet on the 27th floor of the Kaiser Center.

Then last month, Crown Zellerbach reached an agreement in principle with Kaiser Center to take a whopping 80,000 square feet on the 11th, 12th, 14th floors and part of the third floor.

In addition, Kaiser has gone after several smaller lease deals to keep its ground and second floor retail spots filled. In October 1986, C&R Clothiers signed a lease for a 6,500 square foot space in the Kaiser Center as part of its agreement to install its line of discount menswear in over 20 former Grodin's locations in the Bay Area.

Corporate Travel Services also signed a 6,500-square-foot lease on the second floor of the Kaiser Center in February.

And now The Limited, the women's chain, is planning to take 6,500 square feet in the center's groundfloor retail mall.

Rich Larsen, vice president and general manager of the Cushman & Wakefield office in Oakland, agrees that Kaiser Center is very competitive with the newer buildings, but on a different basis. "I don't think the leasing rates in Kaiser Center are significantly lower, but many times, aesthetics make the difference," he said.

Bob Burke, vice president and general manager in charge of leasing the Kaiser Center, disagreed with Guillory's assessment that Kaiser undercuts the leasing rates by a high percentage.

Burke said that tenants are most attracted to the building's amenities, which include a 22,000-square-foot cafeteria, an auditorium that seats 300 people, a post office, shoe repair, dry cleaners, banks, and other retailers. "No new buildings have the amenity levels we have," he said.

Burke added that he hoped the lease agreement will serve as a lead-in to a permanent solution for the university's office needs.